

CABINET

20 April 2009

PLANNING FOR AFFORDABLE HOUSING IN AN ECONOMIC DOWNTURN

REPORT OF HEAD OF STRATEGIC HOUSING

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RECENT REFERENCES:

PS363 – Scrutiny Review - Affordable Housing, 23 March 2009

EXECUTIVE SUMMARY:

The current economic crisis is having significant effects on the scale of house building across the country as property values fall, developers find it difficult to raise finance, and landowners become more reluctant to sell. This, in turn, is having a major effect on affordable housing supply. The implication of this is one of the issues considered by the Council's Affordable Housing Informal Scrutiny Group.

While many of the challenges presented by the current situation can only be met by macro-economic policy responses at a Government level, there is action that can be taken locally to help support delivery, particularly in terms of how the planning system is used to make schemes viable and thus deliverable.

A positive and flexible approach (by the Council, landowners, developers and Registered Social Landlords (RSLs)) needs to be built around a consensus and shared objective that housing, and in particular, affordable housing needs to be promoted. Developers need to know that the Council is willing to listen to genuine delivery problems, but they must also accept that flexible approaches need to be justified and that they have responsibilities in terms of how they approach a particular problem.

The Council is also able to act positively by promoting development of its own, suitable land, and rural exception sites, as well as supporting schemes led by RSLs and providing financial support for development through its assets sales programme.

RECOMMENDATIONS:

That Cabinet note the recommendations of the Affordable Housing Informal Scrutiny Group (AHISG) and:

- 1 Endorse the need for officer and members to encourage the delivery of affordable housing as a corporate objective.
- 2 Endorse the principle of adopting a flexible approach to discussions on development proposals provided individual decisions are taken having regard to the long term implications of such an approach and flexible approaches are justified.
- 3 Advocate the need for developers to act positively, constructively and flexibly and to provide the necessary information to allow the local planning authority to reach decisions.
- 4 Encourage development that does not rely on private sector developers, including using suitable Council owned land and rural exception sites for affordable housing, supporting Registered Social Landlords in bringing forward appropriate proposals for 100% affordable housing schemes (provided that this meets mixed communities objectives), and encouraging partnerships and working relationships between public, private and voluntary sectors in order to bring development forward.
- 5 Continue the Council House Asset Sales Programme with receipts being divided equally between the Housing Revenue Account for use on Council properties and the General Fund to support new affordable housing development.
- 6 Request officers, in consultation with the Portfolio Holders for Housing and Planning and Access, to prepare an internal practice note to support discussions with developers, RSLs and landowners.
- 7 Endorse the AHISG proposals for regular informal meetings between developers, RSLs, planning and housing officers and members to discuss, in general terms, issues surrounding housing delivery (noting that individual proposals that may be prejudicial to the ability of Planning Development Control Committee members to carry out their role should not be discussed in their presence).

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DETAIL:

1. Introduction

- 1.1. The current economic crisis is having significant effects on the scale of house building across the country as property values fall, developers find it difficult to raise finance, and landowners become more reluctant to sell. This is having a major effect on affordable housing supply with Registered Social Landlords (RSLs) facing similar problems, particularly given that over the last decade, or more, most supply has been on the back of market led development. In terms of affordability the benefits of prices and interest rate reductions has been more than off-set by increased deposits being demanded by lenders.
- 1.2. The report of the Council's Affordable Housing Informal Scrutiny Group (AHISG), which was considered by Principal Scrutiny Committee on the 23 March, is therefore well timed and raises some pertinent issues.
- 1.3. This paper gives an overview of the approach that could be taken by the Council to deal with current problems, primarily in a planning context, and provides a response to some of the key issues raised by AHISG. In considering how to approach the problem and stimulate supply it is important to take account of the Housing Strategy vision.... to ensure that communities are sustainable and inclusive. Decisions made today will have long term implications and so it is important to hold on to that vision.

2. Responding to the Problem

- 2.1. While many of the challenges presented by the current situation, for instance the availability of credit, can only be met by macro-economic policy responses at a Government level there is action that can be taken locally to help support delivery, particularly in terms of how the planning system is used to make schemes viable and thus deliverable. The issues can be grouped under three headings:
 - 2.2. *Land Supply*
 - 2.2.1. As identified by AHISG the supply of suitable land with a residential planning permission is perhaps the most significant thing that can be done. Although having a ready supply of different kinds of sites cannot guarantee development it provides opportunity.

- 2.2.2. To avoid being a “hostage” to developers decisions to invest, the Council is able to encourage and support other routes to bringing land forward, including; releasing its own land for development, supporting rural exception sites to come forward (where work with the Hampshire Alliance for Rural Affordable Housing (HARAH) is crucial), and supporting 100% RSL development, including on sites that are being offered by developers. In doing this it is important not to lose sight of the Housing Strategy vision and to ensure that that 100% affordable housing schemes still meet the objective of creating mixed communities. A mix of affordable tenures will normally need to be incorporated into, particularly, larger schemes and in determining their acceptability account will need to be taken of the stock profile and tenure balance across the wider neighbourhood.
- 2.2.3. There is also the opportunity to develop partnerships and working relationships between public, private and voluntary sectors in order to boost supply (Hoe Road, Bishops Waltham being a recent example of this approach). Such approaches are increasingly important given traditional supply from market sites is slowing down.
- 2.3. *How to get to a Planning Permission*
 - 2.3.1. The AHISG concluded that the process of considering and dealing with planning proposals could act as a barrier to development. The process is often seen by developers as cumbersome and lacking certainty. This increases their costs and adds risk, thus making it less likely they will invest in bringing sites forward. They also feel that even with officer support proposals are still at risk of being rejected by Planning Development Control Committee.
 - 2.3.2. From a local authority perspective developers are often perceived as being reluctant to discuss proposals constructively, unwilling to follow advice and grudging to provide timely information (for instance design and access statements). There is also a history of some developers claiming schemes are unviable, in order to avoid planning contributions, when clearly they are. Developers must be open and honest in their discussions with the local planning authority (LPA) and accept that due process needs to be followed to determine an application, particularly if a flexible approach is to be taken.
 - 2.3.3. There is clearly a need for all players in the process to refine their approaches to devising and considering planning proposals.
- 2.4. *The Nature of the Planning Permission*
 - 2.4.1. In granting planning permission for development that permission, or more specifically a S106 Agreement, may require the developer to provide certain things, in cash or kind, to off-set any adverse impact a development will have. This may be, for instance, financial contributions towards public open space provision, highway junction improvements or affordable housing. Developers have complained for many years that these “burdens” on development have been increasing and are impacting on profitability.

However, due to rising values they have, largely, been able absorb those costs and so viability has not been significantly affected.

- 2.4.2. Current economic conditions have raised the prospect of this situation changing. Developers are now arguing with more conviction that planning requirements cannot be afforded, Silver Hill being perhaps the most notable local example. If, genuinely, the requirements cannot be afforded then the supply of new market and of affordable housing will reduce.
- 2.4.3. The LPA have the responsibility of determining planning applications in accordance with the development plan unless material considerations indicate otherwise. The economics of development and the cost of S106 requirements are capable of being such considerations. The LPA, therefore, have the ability to set aside or depart from normal S106 requirements if they consider there is justification in order to allow a development to proceed. This could, for instance, involve reducing or removing a particular requirement or amending the phasing of a financial contribution. They also have the ability to ensure planning permissions respond to current problems while ensuring that when economic conditions improve community benefits can be secured – in effect a sharing of risk and reward. Developers cannot expect to get a planning permission and then bank the land/permission until values rise. Consideration can be given to granting short time-limited planning permissions (which may encourage development now rather than later) and clawback provisions in S106s so that if profitability improves then greater community benefits are realised (as with Silver Hill).
- 2.4.4. It is important, however, to remember, that planning requirements are imposed to off-set harm and having been identified as legitimate in accordance with planning guidance they should not be set aside lightly. If some are set aside on individual schemes, or re-phased, then this will not be without impact on communities. It is of crucial importance that such flexibilities are exercised carefully and only where there is clear justification. This approach may be appropriate in certain cases in order to support development and the LPA and developers should be in a position to discuss options constructively.
- 2.4.5. As part of this process it may sometimes be necessary to prioritise S106 requirements. A strong corporate approach is needed to such discussions as there will be competing demands for the remaining “benefit”. It is recommended this be done on a case by case basis rather than a blanket prioritisation. This case by case approach was supported by the Audit Commission in a recent inspection of the Strategic Housing Division.
- 2.4.6. In terms of the nature and character of the development itself developers may ask for flexibility, for instance proportion of larger dwellings in order to aid viability. At West of Waterlooville this was accepted although the resulting proportions were contrary to Local Plan policy.

3. FURTHER COMMENTS ON AHISG

- 3.1 Many of the issues raised by the AHISG have been covered above. Developing the shared objective of delivering affordable housing throughout the Council, officers and members alike, is of critical importance. The proposed practice note will help support a positive approach towards encouraging delivery in the short term. Cabinet (Local Development Framework) Committee has agreed a set of policies for the next stage of the LDF consultation process that promote delivery in the longer term.
- 3.2 Where necessary, there are already discussions between officers, members and other parties regarding specific planning proposals, and this practice should continue. There is also, however, much, potentially, to be learned from an exchange of ideas between various interests at a more general level unrelated to individual proposals. The AHISG recommended that informal meetings be held with developers and RSLs should be set up to facilitate this. It is, however, important that nothing is discussed at meetings that could be regarded as prejudicial to ability of Planning Development Control Committee (PDCC) members who are present to perform their role. Therefore, if members of PDCC are present matters for discussion should, relate to general issues regarding delivery rather individual planning proposals.
- 3.3 The availability of Council resources, from its council house asset sales programme, has already shown its usefulness in funding schemes and levering in further investment from the Homes and Community Agency and RSLs. Furthermore, the practice of making land available to RSLs at a discount has helped to maintain supply. The recent Communities and Local Government consultation paper on building new council housing proposes changes to the financial regulations which are barriers to Council's building themselves. It will be important to consider the Government's conclusions on when they are published. This is not likely to be before the summer.

4. CONCLUSIONS

- 4.1 In responding to current difficulties, it is important for Council officers and members to adopt a positive and proactive approach. This needs to be built around a consensus and shared objective that housing, and in particular, affordable housing needs to be promoted. Developers need to know that the Council is willing to listen to genuine delivery problems, but they must also accept that flexible approaches need to be justified and that they have responsibilities in terms of how they approach a particular problem. They need to be prepared to have an open and honest discussion. Furthermore, in adopting a flexible approach to delivery it is important to have regard to the long term implications of decisions and not to lose sight of the Housing Strategy vision. There is plenty of evidence around the country of knee jerk reactions aimed at increasing supply or ceasing opportunities during the last economic downturn that created long term problems, however there are other examples of how positive planning can maintain supply.

OTHER CONSIDERATIONS:

5 CORPORATE STRATEGY (RELEVANCE TO):

- 5.1 The provision of affordable housing supports the Corporate Strategy Objectives of *Economic Prosperity, High Quality Environment, and Safe and Strong Communities*.

6 RESOURCE IMPLICATIONS:

- 6.1 Currently few developers present information to support claims of viability problems. Should such information increasingly be supplied there are potentially resource implications in terms of consultancy fees that may be incurred in order to study these viability appraisals. A reduction in S106 contributions will impact on local infrastructure provision which will either need to be foregone or funded from other sources.

7 TACT COMMENTS

- 7.1 TACT had looked forward to this paper, only to have its hopes dashed. Bearing in mind the government, is looking into ways that councils, can build council homes again. That indeed it could be possible, working with other councils to format a solution. We are led to believe the Housing Minister, Margaret Beckett, is looking into ways that councils could work together on such schemes, if this should prove to be possible, surely Winchester City Council should be pursuing every avenue open to it?
- 7.2 TACT are aware that answers are needed from the Housing Revenue Account Review, and regarding funding, some of the proposed schemes, the Government has in mind. Officers who took the TACT Chair's through the paper, and included at the request of TACT under section 3.2 some of our concerns, that a mention should be made, that building new council housing should be an option, and not abandoned, as a non starter. TACT considers that the future for affordable housing has to include building council homes and requires flexibility from all concerned.
- 7.3 The only flexibility TACT can see is the Council bending over backwards, to give Council land and divide any proceeds from selling council house assets, to the likes of Housing Associations. It is obvious from the reports in the press and on television, that they are far from stable either in many cases. TACT is loosing faith that the Council is being open and honest. With regard council homes, and wonder would you build council homes should the opportunity arise?
- 7.4 We know all the arguments in favour of working with other partners; they will never produce any further affordable council homes. Do we have to go on fighting council tenant's battles with out your full backing? Now is the time we need it. TACT fully understand the councils position, however along with the

Waverley group of 60 councils working together, you should be able to support council tenants in their aims for a fair and just system, and use your influence on the government to bring it about. TACT is aware that you do not have full control of the situation; the Government has hold of the purse strings.

- 7.5 TACT however once again find its self in the position of being unable to endorse a Cabinet paper, the TACT chairs and TACT members, have to remain true to their cause for justice, and the building of new council homes for council tenants, and the many people on the waiting list, and remain true to their principles, TACT will continue their fight for this.

BACKGROUND DOCUMENTS:

PPS3: Planning for Housing (CLG, 2006)

Changes to the Revenue and Capital Rules for New Council Housing: Consultation on excluding new council housing from Housing Revenue Account Subsidy and Pooling (CLG, 2009)

APPENDICES:

Appendix 1 – Minute Extract from Principal Scrutiny Committee held 23 March 2009

Appendix 2 - PS363 – Scrutiny Review - Affordable Housing, 23 March 2009
Appendix included for Cabinet Members, Group Leaders and Chairmen of Principal Scrutiny Committee only. The Report can also be viewed on the Council's Website via the following link:

<http://www.winchester.gov.uk/Documents/Committees/Principal%20Scrutiny/Reports/PS0300-PS0399/PS0363.pdf>

MINUTE EXTRACT FROM PRINCIPAL SCRUTINY COMMITTEE HELD 23 MARCH 2009

1. **SCRUTINY REVIEW - AFFORDABLE HOUSING**
(Report [PS363](#) Refers)

The Chairman of the Affordable Housing Informal Scrutiny Group (ISG), Councillor Wright, introduced the Report. He advised that the review was undertaken in a timely fashion with the hope of influencing the Local Development Framework process. The Group was also mindful that the economic downturn was likely to result in the Council being able to deliver fewer affordable units for its residents. This situation should be addressed as soon as possible. The recession would require the Council to be more proactive and have more flexible policies. He reported on evidence gained from interviewing private developers and housing associations who were keen to work in partnership with the Council in new developments. On behalf of the ISG, Councillor Wright thanked the Head of Strategic Housing and Housing Strategy & Development Manager for their enthusiasm and support during the scrutiny investigation.

During discussion, it was explained that the ISG had intended to focus on general improvements to methods of delivery (such as proposed urban exception sites) as opposed to the detail of relatively small gains. It was also considered that, wherever possible, private developers should be encouraged to bring forward new schemes.

Councillor Beckett welcomed the Report and would formally respond to the Committee following Cabinet's detailed consideration of its content.

RESOLVED:

That the recommendations of the Affordable Housing Informal Scrutiny Group be supported.

PRINCIPAL SCRUTINY COMMITTEE

23 March 2009

SCRUTINY REVIEW – AFFORDABLE HOUSING

REPORT OF AFFORDABLE HOUSING INFORMAL SCRUTINY GROUP

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RECENT REFERENCES:

PS343: Informal Scrutiny Groups - Principal Scrutiny Committee 14 July 2008

EXECUTIVE SUMMARY:

The final report of the Informal Scrutiny Group is attached as an Appendix to this report. Principal Scrutiny Committee agreed on 14 July 2008 to establish an Informal Scrutiny Group to carry out a policy review of provision of affordable and social housing. The Group identified the following key topic areas were identified as themes for consideration:

- Supply of Land
- Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
- Funding of affordable housing

The Group took both written and verbal evidence on these issues, including hearing evidence from several expert witnesses. In reaching its conclusions it also took account of recent experiences, emerging issues, the current economic conditions and debates relating to the production of the Local Development Framework Core Strategy.

The Group has identified a number of proposals to help improve affordable housing supply, which are set out in the recommendations below.

RECOMMENDATIONS

That Cabinet be asked to consider the following recommendations of the Informal Scrutiny Group on Affordable Housing:

- 1 That officers should work positively, and Members should provide support and political leadership, to ensure that land with planning permission is available for affordable housing development. It is recognised that currently funding is generally not an obstacle to new affordable housing development. Availability of land with suitable planning permissions will ensure that finance is brought in to enable new affordable housing schemes, provided they represent good value for money.
- 2 Development is often restricted by the Council's own policies. Therefore new policies coming through the LDF process should ideally be less restrictive and more flexible. Furthermore, within the current policy context, a positive approach should be adopted by officers and Members to help support the objective of delivering more affordable housing.
- 3 That the Council should be more pro-active in promoting schemes that do not need to rely on developers, for instance rural exception sites, and those on public land. This approach has the potential to compensate for the slowdown in development from more traditional developer-led routes.
- 4 That there should be refinement of the internal processes for the delivery of affordable housing to support this key corporate objective. This should include ensuring delivery is a shared objective across Divisions with an emphasis on being proactive, positive and flexible. On individual schemes, consideration should be given to prioritising affordable housing provision over other S106 or planning requirements. This is especially important during the economic downturn.
- 5 That the process of Parish Councils being approached with evidence of their particular housing need, and with potential development sites that have already been identified, be accelerated. Furthermore, there should be an expectation that affordable housing will be provided where it is needed. Housing needs surveys of individual parishes should not be necessary if there is sufficient evidence of need from other sources. It is acknowledged that there would be a likely resource issue within the enablement team to carry out the likely additional work.
- 6 That, in addition to rural exception policies, the Council should agree an urban exception policy as a part of the LDF process and an approach to facilitating such development ahead of adoption. This would further increase flexibility in implementing new schemes and overall supply.
- 7 That the Council should continue its proactive approach to identifying opportunities for development, including negotiation with developers and RSLs with regard to prioritising affordable provision throughout the District. This

includes using Council property and land holdings (both General Fund and Housing Revenue Account). The current Asset Sales Programme, with receipts being used to increase new affordable housing provision, and the provision of Council owned land at significant discounts to RSLs, should continue. Officers should also have regard to the current economic climate that would encourage private developers to build at a lower cost and with less return. This situation should be exploited.

- 8 That developers and RSLs should be invited to attend regular informal forums with housing and planning officers and member representatives of each political group.

RELEVANCE TO THE CORPORATE STRATEGY

The provision of new affordable housing is relevant to all strands of the Corporate Strategy, in particular to the Safe and Strong Communities strand that aims to promote an inclusive society by enabling, and improving access to, affordable housing.

RESOURCE IMPLICATIONS

There are no direct resource requirements identified in this report. However the report notes the need to ensure that teams are adequately resourced to deliver the recommendations. This will need to be kept under review.

BACKGROUND DOCUMENTS

Minutes of meetings of the Informal Scrutiny Group and papers circulated to the Group as held by the Democratic Services Division.

APPENDIX:

Affordable Housing Informal Scrutiny Group – Final Report

SCRUTINY REVIEW 2008/9 – AFFORDABLE HOUSING

REPORT OF THE AFFORDABLE HOUSING INFORMAL SCUTINY GROUP

1. Terms of Reference and Scope of the Review
 - 1.1 Principal Scrutiny Committee agreed on 14 July 2008 to establish an Informal Scrutiny Group to carry out a policy review of provision of affordable and social housing.
 - 1.2 At the first meeting of the Group on the 9 September the following were agreed as terms of reference for the Group and the scope of the review:
 - To make recommendations to Cabinet on any improvements to the following areas so to maintain and exceed new affordable housing and social housing completion targets district wide, having regard to the current economic climate:
 - Supply of land in both rural and urban areas with regard to existing policies
 - Increasing the supply of affordable housing in rural areas
 - Potential ‘vehicles’ for delivery of affordable housing – investigate our existing policies and those of other Local Authorities
 - 1.3 The following key topic areas were identified as themes for future meetings:
 - Supply of Land
 - Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
 - Funding of affordable housing
2. Work Schedule
 - 2.1 Councillors Chamberlain, Learney, Mitchell, Tait and Wright were appointed to the scrutiny group who agreed that Councillor Wright would lead the process.
 - 2.2 Meetings of the group were held on:
 - 9 September 2008
 - 6 November 2008
 - 2 December 2008
 - 27 January 2009
 - 23 February 2009

3. Evidence Collected

3.1 Evidence was provided in the form of the following written documents and from expert witnesses:

- Specific background papers prepared for the Group, namely Increasing the Supply of Land for Affordable Housing; Update on the Current Economic Situation; Funding of Affordable Homes
- Housing Strategy 2008/9- 2012/13 (and associated Cabinet Paper of the 9 July 2008 (CAB1686))
- Cabinet (Local Development Framework) Committee papers (CAB1696(LDF)) – Core Strategies Issues and Options; Housing Mix, Redundant Rural Buildings (CAB1728(LDF)); Rural Affordable Housing, Rural Exception Housing, Affordable Housing (CAB1743(LDF)).
- Press Release, CLG 23 July 2008: The Taylor Review on the Rural Economy
- Changes to the Revenue and Capital Rules for New Council Housing (CLG January 2009)
- 2 December 2009: Expert Witness James Dunne, Barratt David Wilson Homes (& supplementary written submission)
- 2 December 2009: Expert Witness Margaret Newbigin, A2 Dominion Housing Association
- 2 December 2009: Expert Witness Geoff Adams, Mapledean

4. Findings

4.1 Supply of Land

4.1.1 The key of delivering more affordable housing is ensuring there is a supply of land with planning permission available for RSLs to develop. However, development is often restricted by the Council's own policies. New policies coming through the Local Development Framework (LDF) should be less restrictive and more flexible, though it is appreciated the impact of these policies will not be felt for some time. Within the current policy context, a positive approach should be adopted by officers and members to help support the delivery of more affordable housing.

4.1.2 Local opposition to housing schemes is clearly a common and significant obstacle and councillors often find themselves in difficult positions. However, as noted above a positive approach is required to improve delivery.

4.1.3 The Council are able to collate information about local housing needs and give parishes and communities regular updates on the scale of that need. Where a rural housing need is identified affordable housing *should* be provided in that settlement or parish. Undue weight should not be given to transport and environmental issues compared to social

and economic benefits. As well as rural exception housing being permitted the Council should agree to an urban exception policy.

- 4.1.4 The majority of developable surplus Council owned sites have been developed, although less straightforward sites do continue to be identified. The Group considers that the Council should continue to work proactively with developers to bring forward land, including land in its ownership, and to work with them to maximise affordable housing provision. Member support and political leadership is necessary to promote sites coming forward where this would achieve affordable housing, including rural exception sites and land in the Council's ownership. It is important members are made aware of such proposals at pre-planning application stage (though this happens on RSL led schemes, it does not on market led sites).
- 4.2 Developer and RSL Views on Council's policies and whether they could be improved to facilitate greater supply of affordable housing
- 4.2.1 Witnesses suggested that while advice from planning officers was generally good there was some inconsistency in the application of planning policies and occasionally of planning decisions. Sometimes pressure to hit determination targets for planning applications means little scope for negotiation. While planning policies may be constraining development the Group acknowledges that too much flexibility will lead to inconsistencies.
- 4.2.2 Witnesses agreed that the planning process was, in many cases too drawn out and while there was some criticism of policy it was processes rather than policies that were the root of the problem and the main hindrance to delivering new housing. Continuity has been a problem when planning officers are changed during the course of determination of an application and problems are caused if new issues are raised at a late stage. These problems must be addressed now that advice is being charged for.
- 4.2.3 One witness reported that strategic housing officers gave consistent and useful advice and best results were achieved where there was a collaborative approach adopted with Council departments having shared objectives. However, at times different divisions did not seem to share common objectives. It is proposed that there should be closer partnership working between developers and the Council to achieve the collective aim of delivering more housing.
- 4.2.4 The "burdens" placed on development particularly given current economic conditions were identified as problematic by some witnesses, with transport tariffs being singled out. There is a need to be sensitive to the economics of development when discussing planning requirements with developers. There was some confusion about the size of affordable homes required; however the Housing Strategy and

Affordable Housing Supplementary Planning Document do give guidance.

- 4.2.5 The off-site provision of affordable housing by way of commuted sum payments was debated by the Group and expert witnesses. An example was quoted where this had been agreed by Planning Development Control Committee as a better way of meeting needs in a particular case and this approach is supported. Such an approach can provide the opportunity to develop more affordable housing off-site than could have been provided on-site. However, while there are circumstances where this approach may be appropriate, land remains the most important commodity and on-site provision is normally preferred.
- 4.2.6 Developers and RSLs clearly valued the opportunity to discuss issues relating to policy, processes and particular developments with each other and the Council. The discussion with expert witnesses was a valuable part of the Group's work and there should be the opportunity for regular informal discussions involving members, housing and planning officers in the future.

4.3 Funding of affordable housing

- 4.3.1 As noted above, the key of delivering more affordable housing is ensuring there is a supply of land with planning permission available for RSLs to develop. Funding is not generally an obstacle to new affordable housing development. The availability of land will ensure that funding is available from the Homes and Communities Agency (HCA) provided the development represents good value for money. However, it is evident that RSLs are finding it increasingly difficult to borrow capital to fund development and witnesses asked for Council's to lobby Government to reduce the cost of funding.
- 4.3.2 Falling right to buy sales and changing Government rules have limited locally available public finance for new build affordable housing, however the Council's asset sales programme, and disposals of land at a discount to RSLs, are valuable sources of subsidy. S106 contributions can also be used for new affordable housing, but generally the preference is for on-site provision of homes (see 4.2.5 above).
- 4.3.3 The recent CLG publication, Changes to the Revenue and Capital Rules for New Council Housing, provides some prospect of Council's being able to build new affordable housing themselves. The proposals under consultation provide for Council's to retain all income for rents. At present negative subsidy arrangements mean this is not the case something which leaves a significant gap in development finances. Council borrowing would be necessary to fund new housing provided under the arrangements being consulted on.

4.4 Other Issues

- 4.4.1 Despite falling interest rates the availability of mortgages and the large deposits that are often required mean that shared ownership properties are becoming a less attractive option for households.

5. Conclusions

- 5.1 It is clear that land supply, that is land with planning permission for housing, is the most important factor influencing the supply of affordable housing. Although, in the current economic climate, some landowners may decide not to sell land, or developers not to build without suitable land with planning permission being available the opportunity for others to develop will not exist at all. Furthermore, although to attract public investment schemes will always need to demonstrate value for money, recent experiences with the HCA suggest that where good schemes can be produced they will invariably be funded.
- 5.2 There is already evidence of the Council, developers and RSLs working together constructively to explore new ways of delivery and this needs to be encouraged. To do this the Council needs to ensure that developing new affordable housing is a shared priority across Divisions, that a proactive and positive approach is taken to discussing proposals and that members provide political leadership in support of those objectives.
- 5.3 While issues with existing policies were debated by the Group it is clear that by improving processes much could be done to improve delivery. Positive lessons can be learnt from the approaches that have already been taken on successful schemes. The LDF offers the opportunities to create a set of policies that support the delivery of affordable housing.
- 5.4 It is important this approach is backed up by resources and it will be important to ensure teams that are required to become increasingly proactive are adequately resourced.
- 5.5 In the current economic climate it is important that the Council utilises its ability as a landowner to maintain supply and that opportunities on exception sites are pursued.

6. Recommendations

- 6.1 That officers should work positively, and members should provide support and political leadership, to ensure that land with planning permission is available for affordable housing development. It is

recognised that currently funding is generally not an obstacle to new affordable housing development. Availability of land with suitable planning permissions will ensure that finance is brought in to enable new affordable housing schemes, provided they represent good value for money.

- 6.2 Development is often restricted by the Council's own policies. Therefore new policies coming through the LDF process should ideally be less restrictive and more flexible. Furthermore, within the current policy context, a positive approach should be adopted by officers and members to help support the objective of delivering more affordable housing.
- 6.3 That the Council should be more pro-active in promoting schemes that do not need to rely on developers, for instance rural exception sites and those on public land. This approach has the potential to compensate for the slow down in development from more traditional developer led routes.
- 6.4 That there should be refinement of the internal processes for the delivery of affordable housing to support this key corporate objective. This should include ensuring delivery is a shared objective across Divisions with an emphasis on being proactive, positive and flexible. On individual schemes consideration should be given to prioritising affordable housing provision over other S106 or planning requirements. This is especially important during the economic downturn.
- 6.5 That the process of Parish Councils being approached with evidence of their particular housing need, and with potential development sites that have already been identified, be accelerated. Furthermore there should be an expectation that affordable housing will be provided where it is needed. Housing needs surveys of individual parishes should not be necessary if there is sufficient evidence of need from other sources. It is acknowledged that there would be a likely resource issue within the enablement team to carry out the likely additional work.
- 6.6 That, in addition to rural exception policies, the Council should agree an urban exception policy as a part of the LDF process and an approach to facilitating such development ahead of adoption. This would further increase flexibility in implementing new schemes and overall supply.
- 6.7 That the Council should continue its proactive approach to identifying opportunities for development, including negotiation with developers and RSLs with regard to prioritising affordable provision throughout the district. This includes using Council property and land holdings (both General Fund and Housing Revenue Account). The current Asset Sales Programme, with receipts being used to increase new affordable housing provision, and the provision of Council owned land at

significant discounts to RSLs should continue. Officers should also have regard to the current economic climate that would encourage private developers to build at a lower cost and with less return. This situation should be exploited.

- 6.8 That developers and RSLs should be invited to attend regular informal forums with housing and planning officers and member representatives of each political group.